

Kimberly Ellis
Legislative Director
Congressman Kevin Brady (Tx-08)
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Ms. Ellis,

Once again, thank you on behalf of appraisers across the country for your efforts regarding appraisal issues contained within the new Financial Reform Act. As stated before, AMC's and the HVCC regulations did, by and large, remedy the issue of appraiser independence which is a big step in insuring the proper valuation of real estate which is to be used a collateral.

After reading the Bill that you sent to me, I am concerned about the exemptions which were granted the mega lenders in the country. Let us not forget who bears a great deal of responsibility for our current economic conditions. The bill allows for the mega lenders to have their own "in house" appraisers. Historically, appraisers are the last hired and the first fired, by these lenders, in economic cycles which, I believe indicates the respect given to appraisers. Eliminate any possibility of appraiser influence from these lenders by eliminating their ability to establish "in house" appraisers. The bill also refers to informal comments from reviewers, of the mega lenders, that indicates that the quality of their appraisals is superior to that of appraisers from outside their organizations. I find this hard to believe and it makes me think of the saying within the industry of "If you can't make it in the private shops, then you go to work for the banks or the tax assessors office." The mega lenders should not be able to have their own "in-house" appraisers to eliminate ANY possibility of an ability to influence appraisers.

The Appraisal Management Companies (AMC's) should be completely independent of any influence from lenders. Lenders should have NO ownership position in ANY AMC. This also insures the elimination of ANY influence and potential conflict of interest from a lender and potential client of the AMC.

The use of Automated Valuation Systems should be limited due to the 30% error factor reported for these type valuation systems. These systems should be limited to those transactions with low risk such as loans with 50% or less loan to value ratios. This restriction will allow time for these systems to improve their accuracy as data becomes more available. Until this accuracy can be verified by independent studies, the use of these systems should be limited.

On the surface, the use of non-licensed individuals in the "valuation" of real estate appears to be problematic. Why did those of use get licensed if lenders can use non-licensed individuals in the "valuation" of property? However, appraisers become scarce in some areas of the country when you go beyond primary population centers. Property values in these areas does not appear to be subject to the same influences as urban areas and thus significant value swings are less likely in these areas. The use of non-licensed individuals in the "valuation" of these type properties may be appropriate. This provision of the bill should be limited to those transactions in counties having limited population. These areas should also lie outside of higher population areas by a specified distance. I this loophole is not closed, what prevents a lender from using non-licensed individuals in

areas of higher population. The valuation of properties in these higher population areas should be limited to a licensed appraiser.

Many appraisers do not have any positive comments to make about the new regulations that we are subject to in today's market. Some of these regulations are due to individuals within our own industry, unfortunately. Much of the discord has to do with the emergence of AMC influence and significantly reduced appraisal fees. I have found one certainty in life and that is that change is constant. The wise man finds the opportunity in change. The Financial Reform Act is an improvement, but it certainly is far from a cure all. I believe that the points made in this letter would be beneficial in closing loopholes and adding an additional layer of credibility to appraisals performed in the country.

Once again, thanks for your help in this matter.

Sincerely,
Tom Crawford
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